

**TOWN OF FREEPORT, MAINE**

**Annual Financial Report**

**June 30, 2010**

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Table of Contents

	<u>Statement</u>	<u>Page</u>
Independent Auditors' Report		3-4
Management's Discussion and Analysis		5-16
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	18
Statement of Activities	2	19
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	20
Statement of Revenues, Expenditures and Changes in Fund		
Balances - Governmental Funds	4	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund		
Balances of Governmental Funds to the Statement of Activities	5	22
Statement of Revenues, Expenditures, and Changes in Fund Balances –		
Budget and Actual - General Fund	6	23
Statement of Net Assets – Proprietary Funds	7	24
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	8	25
Statement of Cash Flows – Proprietary Funds	9	26
Notes to Financial Statements		27-44
	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information: Schedule of Funding Progress		45
Combining and Individual Fund Statements:		
General Fund:		
Comparative Balance Sheets	A-1	47
Statement of Revenues, Expenditures and Changes in Fund Balance -		
Budget and Actual – General Fund	A-2	48-51
All Other Governmental Funds:		
Combining Balance Sheet	B-1	53
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances	B-2	54
Special Revenue Funds:		
Combining Balance Sheet -Nonmajor Funds	C-1	56
Combining Statement of Revenues, Expenditures and Changes in Fund		
Balances- Nonmajor Funds	C-2	57
Combining Statement of Revenues, Expenditures and Changes in Fund		
Balances- Individual Funds	C-3	58-59

**TOWN OF FREEPORT, MAINE**  
**Annual Financial Report**  
**June 30, 2010**

---

Table of Contents, Continued

	<u>Exhibit</u>	<u>Page</u>
Capital Project Funds:		
Combining Balance Sheet - Nonmajor Funds	D-1	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Nonmajor Funds	D-2	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Individual Funds	D-3	63-64
Nonmajor Permanent Funds:		
Combining Balance Sheet - Nonmajor Funds	E-1	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Nonmajor Funds	E-2	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Individual Funds	E-3	68
Capital Assets Used in the Operation of Governmental Funds:		
Summary of Capital Assets by Type	F-1	70
Schedule of Capital Asset Changes by Function and Activity	F-2	70
Schedule of Capital Assets By Function and Activity	F-3	71
Schedule of Deprecation By Function and Activity	F-4	72

## Independent Auditors' Report

Town Council  
Town of Freeport  
Freeport, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Freeport's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and the Schedule of Funding Progress on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Town Council  
Town of Freeport

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules on pages 46 through 72 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The prior year comparative information has been derived from the Town's 2009 financial statements and, in our report dated December 7, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Macdonald Page & Co LLC*

South Portland, Maine  
December 16, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF**

### **TOWN OF FREEPORT FISCAL YEAR 2010 AUDIT**

As the management of the Town of Freeport, Maine, we are pleased to provide this Management Discussion and Analysis as part of our annual financial statements. We offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town of Freeport for the year ended June 30, 2010. It is the belief of management that all the information contained herein is accurate in all material respects and reflects fairly the financial position and operations of the Town. This Management Discussion and Analysis is designed to offer further explanation of the information contained herein. We encourage readers to consider the information that we have furnished in the Town's basic financial statements that follow this section.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town of Freeport's basic financial statements. The Town's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Table of Contents in the front section of the report provides the specific pages where the various statements and exhibits can be found.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Freeport's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Freeport that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town currently reports the activities of the Nonemergency Transportation Program (NET Program) as a business-type activity. The governmental activities of the Town include general government, public safety, public works, education, and community services.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Freeport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Freeport's own programs.

### **Governmental Funds**

For the reporting period, the Town had a decrease in fund balance for total governmental funds (from statement 4) of approximately \$572,000. The General Fund's fund balance decreased by approximately \$248,000. The reason for the decline in the general fund's June 30, 2010 fund balance is the final transfer of fund balance to RSU #5. The voters in the State of Maine passed LD 499, enacting school consolidation statewide effective July 1, 2009. This legislation along with the RSU #5 plan document required the Town to remit school assets to the new RSU. The former school department's general fund balance is \$277,098 as of June 30, 2009. This is shown as the "final transfer to RSU #5" on Statement #4. Reserve funds increased due to a \$688,000 transfer from the general fund, \$175,000 from each the Bartol and cell tower lease funds, and \$251,500 transfer to the capital projects fund for projects authorized by the Town Council in the 2010 capital plan in addition to other transfers out as authorized by the Town Council. Other governmental funds decreased by \$1.65 million due to the final \$474,000 transfer to RSU #5 and a transfer to the community center repayment and land purchase funds from the capital fund to the reserve funds of \$277,000 and \$1.5 million in TIF expenditures during FY 2010 (see exhibit C-3). Other increases in various capital projects and several other non-major governmental funds also occurred.



## **ENTITY WIDE CONDENSED PRESENTATION OF NET ASSETS**

Net Assets serves as a useful indicator of a government's financial position. The following information is condensed from Statement 1, Statement of Net Assets for fiscal year 2010. It distinguishes between capital and other assets, notes the Town's general liabilities and debt service, and shows the Town's net assets by restricted and unrestricted amounts. This information is for the Town's Governmental Activities and Business-type Activities as of June 30:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,186,429	13,949,749	-	-	12,186,429	13,949,749
Investments	6,595,515	6,118,323	-	-	6,595,515	6,118,323
Receivables	1,158,100	1,444,780	129,039	129,396	1,287,139	1,574,176
Internal balances	79,146	34,517	(79,146)	(34,517)	-	-
Inventory	15,154	45,092	-	-	15,154	45,092
Capital assets, net	17,127,095	32,219,548	19,726	30,834	17,146,821	32,250,382
<b>Total assets</b>	<b>37,161,439</b>	<b>53,812,009</b>	<b>69,619</b>	<b>125,713</b>	<b>37,231,058</b>	<b>53,937,722</b>
<b>LIABILITIES</b>						
Current liabilities	1,061,242	2,159,043	14,648	7,131	1,075,890	2,166,174
Noncurrent liabilities	9,706,030	11,722,728	-	-	9,706,030	11,722,728
<b>Total liabilities</b>	<b>10,767,272</b>	<b>13,881,771</b>	<b>14,648</b>	<b>7,131</b>	<b>10,781,920</b>	<b>13,888,902</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of debt	8,212,473	21,881,943	19,726	30,834	8,232,199	21,912,777
Restricted	2,157,015	2,768,336	-	-	2,157,015	2,768,336
Unrestricted	16,024,679	15,279,959	35,245	87,748	16,059,924	15,367,707
<b>Total net assets</b>	<b>\$ 26,394,167</b>	<b>39,930,238</b>	<b>54,971</b>	<b>118,582</b>	<b>26,449,138</b>	<b>40,048,820</b>

A large portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be expended. The remaining unrestricted balance of net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

It is notable that between FY 2009 and FY 2010, LD 499 enacted school consolidation in Maine. Freeport School Department had historically been a department of the Town, but as of July 1, 2009, the Town was required to transfer all assets to the new Regional School Unit. The FY 2009 Statement of Net Assets included the school as a department of the Town and the FY 2010 Statement removes these assets. The categories most affected are inventory (removing school lunch) and capital assets (removing all buildings, land, equipment, and other fixed assets). However, the Town was required to maintain the debt, regardless of affiliation with the RSU. The debt (bonds due within one year and bonds due in more than one year) was issued by the Town, and must remain so until paid in full. This is the reason for the \$13.6 million decline in the Town's government-wide net assets.



## **ENTITY WIDE CONDENSED PRESENTATION OF CHANGES IN NET ASSETS**

Our next analysis focuses on changes in net assets of the Town's governmental and business type activities. Governmental activities had a decrease in net assets of \$13,536,070 and business-type activities had a decrease of \$63,611 during the year ended June 30, 2010. The following analysis provides the key elements of the results.

	Governmental Activities	Business-type Activities	2010 Primary Government	2009 Primary Government
Program revenues:				
Charges for services	\$ 1,048,268	429,254	1,477,522	2,908,541
Operating grants and contributions	213,853	-	213,853	4,592,689
Capital grants and contributions	247,937	-	247,937	-
General revenues:				
Property taxes	20,012,186	-	20,012,186	19,933,811
Motor vehicle excise taxes	1,316,407	-	1,316,407	1,342,755
Interest and lien costs	80,668	-	80,668	107,649
State Revenue Sharing	533,336	-	533,336	657,168
Homestead exemption	160,625	-	160,625	155,092
Other State aid	346,470	-	346,470	72,758
Unrestricted investment earnings	687,788	-	687,788	(161,449)
Miscellaneous revenues	1,157,047	-	1,157,047	1,821,531
Total revenues	25,804,585	429,254	26,233,839	31,430,545
Program expenses:				
General government	1,711,138	-	1,711,138	1,693,688
Public safety	2,778,277	447,865	3,226,142	3,043,126
Public works	2,535,598	-	2,535,598	2,985,527
Community services	987,873	-	987,873	986,362
Education	12,067,308	-	12,917,045	17,697,544
County tax	824,736	-	824,736	788,142
Unclassified	2,668,299	-	2,668,299	1,555,196
Interest on debt	375,975	-	(473,762)	528,369
Capital maintenance expenses	647,401	-	647,401	924,070
Total expenses	24,596,606	447,865	25,044,471	30,202,024
Change in net assets before transfers	1,207,980	(18,611)	1,189,369	1,228,521
Transfers	(14,744,049)	(45,000)	(14,789,049)	-
Change in net assets after transfers	(13,536,070)	(63,611)	(13,599,681)	1,228,521
Net assets - beginning	39,930,238	118,582	40,048,820	38,820,299
Net assets - ending	\$ 26,394,169	54,971	26,449,140	40,048,820

It should be noted that this presentation is prepared on an entity wide condensed net assets presentation and not prepared on a basis consistent with the budget. A detailed budgetary presentation can be found in the basic financial statements in Exhibit A-2.

## **ANALYSIS OF TOWN POSITION AND OPERATIONS –GOVERNMENTAL FUNDS BUDGETARY BASIS**

In Freeport, the Town has managed over the past several years to build its general fund undesignated fund balance (the equivalent of a savings account) to \$4.5 million. The Town Council established a figure of \$2 million (one twelfth of the annual budget) as a minimum level of fund balance to maintain. Under the Town's fund balance policy, amounts in excess of one twelfth of the annual budget can be used to set aside additional reserves for capital needs, used to reduce property taxes for subsequent years' budgets or be used for immediate operational or capital needs. The Town Council modified its fund balance policy five years ago, establishing a Tax Rate Stabilization Account. The Council funded the stabilization account each of the first three years for a total of \$1 million. No additional funding was provided during FY 2010 and the account remained at \$1 million at June 30, 2010. During periods of low new valuation or extraordinary unpredicted increases in costs, up to fifty (50) percent of the Tax Rate Stabilization Account may be used annually to offset the municipal tax rate. For example, the FY 2011 budget includes \$39,162 from the Tax Rate Stabilization Account.

For the fiscal year ended June 30, 2010 the general fund's fund balance decreased by \$248,000 as a result of the transfer of \$277,000 to the RSO. If school consolidation had not occurred on July 1, 2009, the general fund would have shown a \$29,000 increase in fund balance. In addition, over the years, the Town has established various capital and other reserves. For the year ended June 30, 2010, the Town's reserves increased by approximately \$1.3 million. At June 30, 2010, the Town's reserved funds totaled \$7.79 million compared to the prior year's \$6.46 million. The Town annually will fund various capital projects from reserves, appropriations from the general fund and from bond authorizations. During FY 2010, the capital projects fund declined \$800,000 due to a \$277,000 transfer to reserves, transfer out to the RSU of \$68,000, and numerous paving and drainage projects totaling \$479,000, and other smaller projects Town wide.

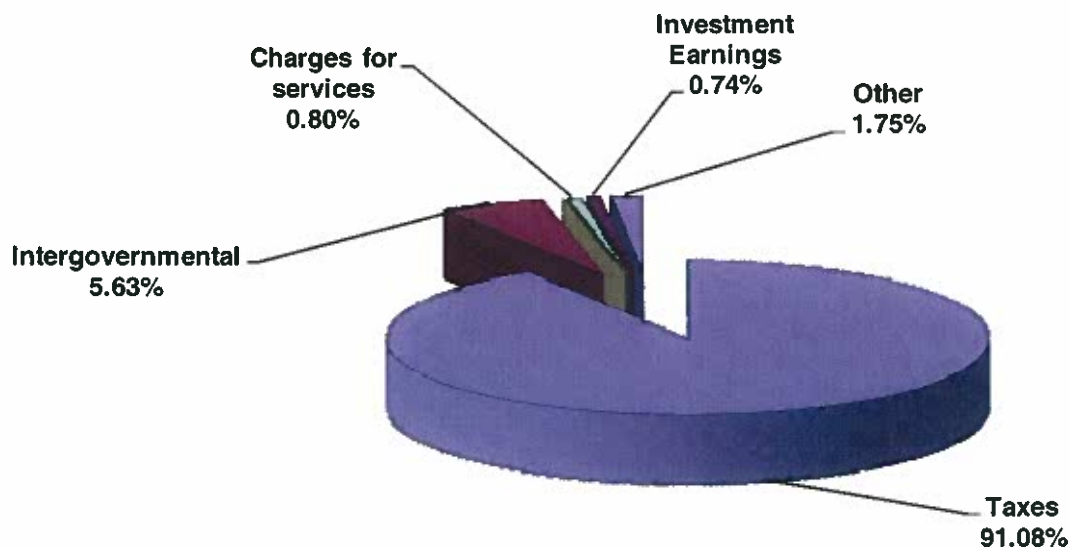
## General Fund Revenues Budget to Actual Summary

For fiscal year 2010, revenues exceeded estimated revenues by approximately \$589,000. The major reasons were an overlay of \$438,000, strong vehicle excise tax collections with collections exceeding budget by \$77,000. It is notable that due to lower than State-forecasted income and sales tax figures in addition to State reduction in revenue sharing distributions caused the actual revenue received to be \$67,000 lower than budgeted. For FY 2010, \$469,125 was budgeted from the fund balance to reduce property taxes. The property tax collection rate for the year declined slightly to 96.12% from the previous year's collection rate of 96.62%.

## General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Taxes	19,664,065	20,111,391	447,326
Licenses and permits	191,940	220,827	28,887
Intergovernmental	1,207,300	1,242,386	35,086
Tuition and other charges for services - education	-	-	-
Charges for services	133,000	176,669	43,669
Fees and fines	88,400	97,664	9,264
Unclassified	46,362	66,829	20,467
Investment earnings	160,000	164,124	4,124
<b>Total revenues</b>	<b>21,491,067</b>	<b>22,079,890</b>	<b>588,823</b>

## Revenue Sources 2010



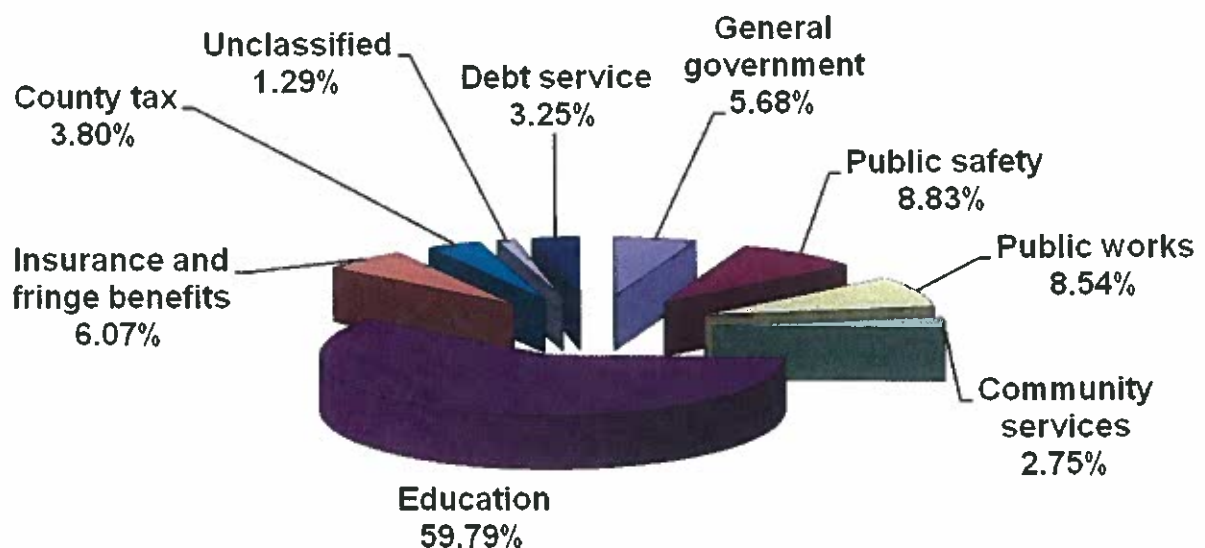
## General Fund Expenditures Budget-to-Actual Summary

General Fund expenditure budgets are approved by the Town Council at the departmental level, with charter budgetary limits at the function level. Expenditures were less than appropriations throughout the budget resulting in approximately \$600,000 of savings. The most significant favorable result was in public works which was under budget by \$210,000 due to the light winter and favorable asphalt prices. Department managers are directed and make every effort to leave five percent surpluses in budgets, especially during tough economic times when revenue could be lower than budgeted for the fiscal year. All charter function levels were significantly within budget limits. The following summarizes the Town of Freeport's General Fund budgeted appropriations to actual by function for the year ended June 30, 2010 (see Exhibit A-2 for a more detailed presentation):

## General Fund Expenditures Budget-to-Actual Summary

Expenditures:	Budget	Actual	Variance
Current:			
General government	1,351,758	1,232,765	118,993
Public safety	1,970,519	1,918,249	52,270
Public works	2,065,259	1,855,111	210,148
Community services	640,853	597,354	43,499
Education	12,985,533	12,985,533	-
Insurance and fringe benefits	1,403,660	1,319,109	84,551
County tax	824,736	824,736	-
Unclassified	361,500	279,131	82,369
Debt service	714,374	705,347	9,027
<b>Total expenditures</b>	<b>22,318,192</b>	<b>21,717,335</b>	<b>600,857</b>

## Expenditure Components 2010



## SUMMARY OF CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

### CAPITAL ASSETS

The Town has developed and maintained a five-year and a twenty-year Capital Improvement Plan (CIP) for over twenty years. This plan is updated annually as part of the budget cycle and is used for equipment, vehicles, building and Town wide infrastructure needs. Additionally, the Town has a street paving account in the Public Works' budget for ongoing street paving.

The Town's 2010 capital budget that was approved in May of 2010 included the following:

	2010		Funding Source			
	<u>Council Approved</u>	<u>Reserve</u>	<u>Bond</u>	<u>Fund Balance</u>	<u>TIF</u>	<u>Other</u>
School	-	-				
Police	-	-				
Fire	39,000	39,000				
Rescue	-	-				
Public Works	-	-				
Solid Waste	-	-				
Comprehensive Town Imp.	97,500	97,500				
Parking Lots	-	-				
Municipal Facilities	95,000	95,000				
TIF	256,365	-			256,365	
Library	-	-				
Cable	14,000	14,000				
Other (Community Center)	6,000	6,000				
<b>Total</b>	<b>507,865</b>	<b>251,500</b>	<b>-</b>	<b>-</b>	<b>256,365</b>	<b>-</b>

A summary of the Town's capital assets at June 30, 2010 and 2009 are as follows:

General fixed assets:	2010	2009
Land	\$ 1,489,584	1,849,869
Land improvements	1,570,709	1,736,907
Buildings and improvements	10,055,840	29,976,967
Machinery, equipment and other	4,548,728	5,219,066
Vehicles	3,766,620	4,671,667
Infrastructure	7,331,028	6,969,522
Construction in process	494,543	627,646
<b>Total governmental fund capital assets</b>	<b>\$ 29,257,052</b>	<b>51,051,644</b>

It is notable that the large decline in the Town's fixed assets listing is due to the legal requirement to transfer all properties and equipment related to the former school department to the new Regional School Unit. This was done as of July 1, 2009, and these items were removed from the listing above.

## LONG-TERM DEBT

The State allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,554,400,000 for 2010, the debt limit was more than \$233,160,000. The Town's current debt is \$8,914,622, or less than 1% of State Valuation or approximately 3.82% of the Town's debt limit. Another measure of a municipality's debt load is debt-per-capita. As of June 30, 2010, the Town of Freeport's debt per capita was \$1,101 as compared to the prior year of \$1,325.

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2010:

Bonds and notes payable at June 30, 2009	\$ 10,337,605
Principal additions	-
Principal payments	(1,422,983)
<b><u>Bonds and notes payable at June 30, 2010</u></b>	<b><u>\$ 8,914,622</u></b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Freeport has a vibrant downtown, many thriving businesses, and residential growth outside the downtown, but has not been immune to the national economic downturn. For example, at the height of residential growth in 2005, the Town issued 85 new residential single family building permits, and only issued 24 during FY 2010.

Freeport's largest retailer and employer, L.L. Bean, purchased 800 acres of land on the west end of Town and has long planned to build an "Adventure Center" on this land, which will include a convention center, hotel, and outdoor activity complex. In April of 2009, Berenson Associates, in partnership with L.L. Bean, opened a 550 car parking garage and 118,000 sq ft of new retail and restaurant space. While the retail space has not been filled as quickly as Berenson or L.L. Bean had hoped, the complex is approximately 60% full as of June 30, 2010. While information regarding lease rates is not public information, Berenson Associates reports that lease rates have been competitive with local rates. The total project, including the parking garage and retail space, cost approximately \$45 million, and the Town has entered into a TIF credit enhancement agreement with the developer to assist with a maximum of \$17.5 million over 20 years toward the public parking garage portion of the development. While not as large as the Berenson/Bean project, surrounding stores such as Cole Haan and Mexicali Blues underwent construction projects to make their stores accessible to the new shopping and parking complex. This has led to a better pedestrian flow in the downtown, and has ensured more accessibility to all retailers and businesses throughout the downtown.

In addition to the new retail and parking garage space, as of June 20, 2010, Berenson announced plans to construct a six-screen theater which will show first-run movies. Information on the movie theater is very preliminary at this time, and will be updated as it becomes available.

The Northern New England Passenger Rail Authority received a \$35 million federal ARRA grant for the construction of passenger rail infrastructure from Brunswick to Portland with a stop in Freeport for service beginning in 2012.

The local grocery store/deli Bow Street Market has begun construction to triple its floor space from 5,000 to 15,000 square feet in size. This expansion includes the extension of School Street over a gulley to meet Bow Street; this is an exciting project, as it will allow through auto, bicycle, and foot traffic.

Maine Natural Gas has committed to installing natural gas infrastructure in Freeport's downtown. While that infrastructure has not been constructed by June 30, 2010, as of the time of these footnotes, its installation has begun.

In addition, Freeport's downtown storefront vacancy rate remains lower than that of other Southern Maine communities, which makes Freeport highly desirable for new retail businesses. Vacancy rate data is difficult to capture on any given date due to the different organizations tracking the information, but it is estimated that the average vacancy rate in Southern Maine retail districts is approximately 20%; Freeport's vacancy rate as of June 30, 2010 was only 14.7% of total storefront space. This has increased from approximately 12% at June 30, 2009 but the June 30, 2010 statistic now includes office and the new "Freeport Village Station" space while the 2009 statistic did not.

The Town of Freeport is located within a 25 mile radius of the Brunswick U.S. Naval Air Station. The base is scheduled for closure in 2011 as part of the 2005 Base Realignment and Closure decision. However, the Town anticipates fairly limited impact on its housing stock due to its close proximity to the City of Portland, its coastal location and availability of land which has made it very attractive to residential development for the Portland market. Freeport has seen substantial residential construction and anticipates a continuation of this trend for the near future.



## New Fiscal Year Budget

In adopting the budget for the ensuing fiscal year 2011, the Town officials considered many factors in making judgments and estimates about the finances for the upcoming year. A primary objective was to continue to provide basic town services to the citizens while attempting to keep the property tax rate low. The Town completed a comprehensive revaluation of Town property effective April 1, 2006 for the FY 2007 tax year. The total Town value increased by 33% during that revaluation, and increased by approximately \$21 million between 2009 and 2010, or 0.013% of the Town's total taxable value. Presently for fiscal year 2010, the Town believes that its valuation (based on a valuation date of April 1, 2009) is at 100% of present market value.

The budget for the fiscal year starting July 1, 2010 was approved by the Town Council with a tax rate of \$15.15 mils, which appears to be a large increase from the FY 2010 rate of \$12.75. However, due to the decline in the real estate market and declining sales data, the Town's assessor decreased all real property values by 15%; the mil rate increased to compensate for that decline in addition to a small increase from RSU #5 of approximately \$160,000 or approximately 12 cents-per-\$1,000 of assessed value.

The following summarizes the major components of the FY 2010 and FY 2011 budgets:

	FY 2010 Appropriation	FY 2011 Appropriation	Increase (Decrease)
<b>REVENUES</b>			
Town Non-Property Tax	\$ 3,489,002	3,182,740	(306,262)
Property taxes	18,360,065	18,678,986	318,921
Fund Balance	469,125	508,287	39,162
<b>TOTALS</b>	<b>22,318,192</b>	<b>22,370,013</b>	<b>51,821</b>
<b>EXPENDITURES</b>			
Municipal	7,966,551	7,943,449	(23,102)
Education	12,985,533	13,104,454	118,921
County Tax	824,736	825,598	862
Reserves	-	-	-
Debt Service	541,372	496,512	(44,860)
<b>TOTALS</b>	<b>\$ 22,318,192</b>	<b>22,370,013</b>	<b>51,821</b>
<b>Mill Rate</b>	<b>\$ 12.75</b>	<b>\$ 15.15</b>	

One notable change in the table above is the creation of the new Regional School Unit, RSU #5. In the past, neighboring towns Pownal and Durham paid the Town of Freeport tuition to send their students to Freeport High School. For FY 2010, there is one RSU budget including all three towns and no tuition is moving between the Towns. The RSU can be viewed as a separate assessment, and is no longer a department of the Town as of July 1, 2009.

While Freeport is currently in very good financial shape, the Town must be very careful of declining revenues from the State of Maine. Such revenues include, but are not limited to revenue sharing (a portion of sales and income taxes), road assistance, homestead exemption, and business equipment tax payments. The Town must maintain a tight budget in order to ensure that expenditures do not begin to outpace revenues in future years.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Freeport's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Freeport, 30 Main Street, Freeport, Maine 04032.

Respectfully submitted,

Dale C. Olmstead Jr.  
Town Manager

Abigail C. Yacoben  
Finance Director

# **BASIC FINANCIAL STATEMENTS**

## TOWN OF FREEPORT, MAINE

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,186,429	-	12,186,429
Investments	6,595,515	-	6,595,515
Receivables:			
Accounts, net	77,248	129,039	206,287
Intergovernmental	-	-	-
Taxes receivable	789,062	-	789,062
Tax liens	291,790	-	291,790
Internal balances	79,146	(79,146)	-
Inventory	15,154	-	15,154
Capital assets, net	17,127,095	19,726	17,146,821
Total assets	37,161,439	69,619	37,231,058
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	596,831	5,798	602,629
Accrued wages and benefits payable	168,863	8,850	177,713
Accrued vacation	239,176	-	239,176
Accrued interest	56,372	-	56,372
Noncurrent liabilities:			
Other long-term liabilities	622,115	-	622,115
Other postemployment benefits liability	169,293	-	169,293
Bonds due within one year	1,367,983	-	1,367,983
Bonds due in more than one year	7,546,639	-	7,546,639
Total liabilities	10,767,272	14,648	10,781,920
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,212,473	19,726	8,232,199
Restricted for:			
Special revenues	1,188,591	-	1,188,591
Capital projects	24,531	-	24,531
Nonexpendable trust funds	943,893	-	943,893
Unrestricted	16,024,679	35,245	16,059,924
Total net assets	\$ 26,394,167	54,971	26,449,138

See accompanying notes to financial statements.

**TOWN OF FREEPORT, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,711,138	136,841	-	-	(1,574,297)	-	(1,574,297)
Public safety	2,778,277	308,256	64,558	-	(2,405,463)	-	(2,405,463)
Public works	2,535,598	164,154	137,034	-	(2,234,410)	-	(2,234,410)
Community services	987,873	190,595	12,261	-	(785,017)	-	(785,017)
Education	12,067,308	-	-	-	(12,067,308)	-	(12,067,308)
County tax	824,736	-	-	-	(824,736)	-	(824,736)
Unclassified	2,668,299	248,422	-	-	(2,419,877)	-	(2,419,877)
Interest on debt	375,975	-	-	-	(375,975)	-	(375,975)
Capital maintenance expenses	647,401	-	-	247,937	(399,464)	-	(399,464)
Total governmental activities	24,596,606	1,048,268	213,853	247,937	(23,086,548)	-	(23,086,548)
Business-type activities:							
Nonemergency Transportation	447,865	429,254	-	-	-	(18,611)	(18,611)
Total business-type activities	447,865	429,254	-	-	-	(18,611)	(18,611)
<b>Total primary government</b>	<b>\$ 25,044,471</b>	<b>1,477,522</b>	<b>213,853</b>	<b>247,937</b>	<b>(23,086,548)</b>	<b>(18,611)</b>	<b>(23,105,159)</b>
General revenues:							
Property taxes, levied for general purposes					\$ 20,012,186	-	20,012,186
Motor vehicle excise taxes					1,316,407	-	1,316,407
Interest and lien costs					80,668	-	80,668
Grants and contributions not restricted to specific programs:							
Homestead exemption					160,625	-	160,625
Other State aid					346,470	-	346,470
State Revenue Sharing					533,336	-	533,336
Unrestricted investment earnings					687,788	-	687,788
Transfer					45,000	(45,000)	-
Miscellaneous revenues					1,157,047	-	1,157,047
Final Transfer to RSU #5					(14,789,049)	-	(14,789,049)
Total general revenues and transfers					9,550,478	(45,000)	9,505,478
Change in net assets					(13,536,070)	(63,611)	(13,599,681)
Net assets - beginning					39,930,238	118,582	40,048,820
Net assets - ending					\$ 26,394,168	54,971	26,449,139

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Assets:				
Cash	\$ 10,138,092	1,334,613	713,724	12,186,429
Investments	16,432	5,562,985	1,016,098	6,595,515
Receivables:				
Accounts	51,907	22,549	2,792	77,248
Intergovernmental	-	-	-	-
Taxes receivable	789,062	-	-	789,062
Tax liens	291,790	-	-	291,790
Interfund loans receivable	176,799	870,731	2,610,704	3,658,234
Inventory	15,154	-	-	15,154
<b>Total assets</b>	<b>\$ 11,479,236</b>	<b>7,790,878</b>	<b>4,343,318</b>	<b>23,613,432</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 212,283	(440)	62,635	274,477
Accrued wages and benefits	168,863	-	-	168,863
Accrued vacation	239,176	-	-	239,176
Taxes collected in advance	-	-	-	-
Interfund loans	3,487,926	-	91,162	3,579,088
Development escrows	196,422	-	-	196,422
Deferred tax revenues	722,208	-	-	722,208
Other deferred revenues	125,931	-	-	125,931
<b>Total liabilities</b>	<b>5,152,809</b>	<b>(440)</b>	<b>153,797</b>	<b>5,306,165</b>
Fund balances:				
Reserved for:				
Carryover	101,304	-	-	101,304
Nonexpendable trust funds	-	-	943,893	943,893
Future retirement pay	173,750	-	-	173,750
Inventory	15,154	-	-	15,154
Unreserved, reported in:				
Designated	1,508,287	-	100,000	1,608,287
Undesignated:				
General fund	4,527,932	-	-	4,527,932
Special revenue funds	-	7,791,318	2,050,135	9,841,452
Capital project funds	-	-	1,095,493	1,095,493
<b>Total fund balances</b>	<b>6,326,427</b>	<b>7,791,318</b>	<b>4,189,521</b>	<b>18,307,266</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,479,236</b>	<b>7,790,878</b>	<b>4,343,318</b>	<b>23,613,431</b>
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				17,127,095
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.				722,208
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.				(9,762,402)
<b>Net assets of governmental activities</b>				<b>26,394,167</b>

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2010**

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 20,111,391	-	1,197,363	21,308,754
Licenses, permits and fees	220,827	93,758	-	314,585
Intergovernmental	1,242,386	-	332,309	1,574,695
Charges for services	176,669	233,076	785,635	1,195,380
Fees and fines	97,664	-	-	97,664
Unclassified	66,829	243,804	214,579	525,212
Investment earnings	164,124	407,792	115,872	687,788
<b>Total revenues</b>	<b>22,079,890</b>	<b>978,430</b>	<b>2,645,758</b>	<b>25,704,078</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,232,765	-	-	1,232,765
Public safety	1,918,249	-	-	1,918,249
Public works	1,855,111	-	18,991	1,874,102
Community services	597,354	-	-	597,354
Education	12,985,533	-	-	12,985,533
Insurance and fringe benefits	1,319,109	-	-	1,319,109
County tax	824,736	-	-	824,736
Unclassified	279,131	461,041	1,905,477	2,645,649
Capital outlay	-	-	1,301,500	1,301,500
Debt service	705,347	-	164,962	870,309
<b>Total expenditures</b>	<b>21,717,335</b>	<b>461,041</b>	<b>3,390,930</b>	<b>25,569,306</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>362,555</b>	<b>517,389</b>	<b>(745,172)</b>	<b>134,771</b>
<b>Other financing sources (uses):</b>				
Bond proceeds	-	-	-	-
Operating transfers from other funds	358,000	-	58,713	416,713
Operating transfers to other funds	(691,275)	809,454	(489,892)	(371,713)
Final Transfer to RSU #5	(277,098)	-	(474,302)	(751,400)
<b>Total other financing sources (uses)</b>	<b>(610,373)</b>	<b>809,454</b>	<b>(905,481)</b>	<b>(706,400)</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(247,818)</b>	<b>1,326,843</b>	<b>(1,650,653)</b>	<b>(571,629)</b>
<b>Fund balances, beginning of year</b>	<b>6,574,245</b>	<b>6,464,475</b>	<b>5,840,174</b>	<b>18,878,894</b>
<b>Fund balances, end of year</b>	<b>\$ 6,326,427</b>	<b>7,791,318</b>	<b>4,189,521</b>	<b>18,307,267</b>

*See accompanying notes to financial statements.*



**TOWN OF FREEPORT, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2010**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	(571,629)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and the loss from disposal of capital assets in the current period.

(390,827)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

100,508

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(59,456)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the net book value of capital assets transferred to RSU #5 less compensated absences assumed by RSU #5.

(14,037,649)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. During the year 2010 there were no bond proceeds.

1,422,983

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Change in net assets of governmental activities (see Statement 2)	\$	(13,536,070)
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*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - All Budgeted Governmental Fund Types**  
**General Fund**  
**For the year ended June 30, 2010**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 20,027,173	19,664,065	20,111,391	447,326
Licenses, permits and fees	191,940	191,940	220,827	28,887
Intergovernmental	1,207,300	1,207,300	1,242,386	35,086
Charges for services	133,000	133,000	176,669	43,669
Fees and fines	88,400	88,400	97,664	9,264
Unclassified	46,362	46,362	66,829	20,467
Investment earnings	160,000	160,000	164,124	4,124
Total revenues	21,854,175	21,491,067	22,079,890	588,823
Expenditures:				
Current:				
General government	1,351,758	1,351,758	1,232,765	118,993
Public safety	1,970,519	1,970,519	1,918,249	52,270
Public works	2,065,259	2,065,259	1,855,111	210,148
Community services	640,853	640,853	597,354	43,499
Education	12,985,533	12,985,533	12,985,533	-
Insurance and fringe benefits	1,403,660	1,403,660	1,319,109	84,551
County tax	824,736	824,736	824,736	-
Unclassified	361,500	361,500	279,131	82,369
Debt service	1,077,482	714,374	705,347	9,027
Total expenditures	22,681,300	22,318,192	21,717,335	600,857
Excess (deficiency) of revenues over expenditures	(827,125)	(827,125)	362,555	1,189,680
Other financing sources (uses):				
Use of undesignated fund balance - Town	469,125	469,125	-	(469,125)
Use of undesignated fund balance - Reserves	-	-	-	-
Final Transfer to RSU #5	-	-	(277,098)	(277,098)
Operating transfers from other funds	358,000	358,000	358,000	-
Operating transfers to other funds	-	-	(691,275)	(691,275)
Total other financing sources (uses)	827,125	827,125	(610,373)	(1,437,498)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis	-	-	(247,818)	(247,818)
Reconciliation to GAAP basis:				
Encumbrances			-	
Excess (deficiency) of revenues and other financing sources over (under) expenditures - GAAP basis			(247,818)	
Fund balance, beginning of year			6,574,245	
Fund balance, end of year	\$		6,326,427	

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

<b>Business-type Activities - Enterprise Funds</b>		
		<b>Nonemergency Transportation Program</b>
<b>ASSETS</b>		
Current assets:		
Accounts receivable less allowance for uncollectibles of \$113,000	\$	129,039
<b>Total current assets</b>		<b>129,039</b>
Non-current assets:		
Property, plant, and equipment		150,309
Less accumulated depreciation		(130,583)
<b>Total noncurrent assets</b>		<b>19,726</b>
<b>Total assets</b>	<b>\$</b>	<b>148,765</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		5,798
Interfund loans		79,146
Accrued wages and benefits payable		8,850
<b>Total current liabilities</b>		<b>93,794</b>
<b>Total liabilities</b>	<b>\$</b>	<b>93,794</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		19,726
Unrestricted		35,245
<b>Total net assets</b>	<b>\$</b>	<b>54,971</b>

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2010**

<b>Business-type Activities - Enterprise Funds</b>	
	<b>Nonemergency Transportation Program</b>
Operating revenues:	
Charges for services	\$ 429,254
Total operating revenues	429,254
Operating expenses:	
Wages and benefits	385,241
Operational costs	51,517
Depreciation and amortization	11,107
Total operating expenses	447,865
Operating loss	(18,611)
Transfer to Ambulance Reserves	(45,000)
Change in net assets	(63,611)
Total net assets, beginning of year	118,582
Total net assets, end of year	\$ 54,971

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the year ended June 30, 2010**

<b>Business-type Activities - Enterprise Funds</b>		
		<b>Nonemergency Transportation Program</b>
Cash flows from operating activities:		
Receipts from customers and users	\$	429,611
Payments to suppliers		(46,750)
Payments to employees		(382,491)
Net cash provided by (used in) operating activities		370
Cash flows from capital and related financing activities:		
Purchase of fixed assets		-
Transfer to Ambulance reserve		(45,000)
Interfund borrowing		44,630
Net cash provided by (used in) financing activities		(370)
Change in cash		-
Cash, beginning of year		-
Cash, end of year	\$	-

**Reconciliation of operating income to net cash  
provided by operating activities:**

Operating income (loss)	\$	(18,611)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization		11,107
(Increase) decrease in operating assets:		
Accounts receivable		357
Increase (decrease) in operating liabilities:		
Accounts payable		4,767
Accrued wages and benefits payable		2,750
Net cash provided by (used in) operating activities		370

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Reporting Entity**

The Town of Freeport, Maine was incorporated as a Town in 1789 under the laws of the State of Massachusetts and later the State of Maine. The Town operates under a council-manager form of government. Freeport is located in Cumberland County approximately 15 miles northeast of Portland along the southern Maine coast. The Council is comprised of seven members elected by district and at-large for staggered three-year terms.

On July 1, 2009 Freeport Public Schools became part of Regional School Unit No. 5 (RSU No. 5), a legally separate entity from the Town of Freeport. During FY 2010, the Town transferred all former school department assets to the new RSU. This is noted throughout the financial statements, and these transfers are shown as "final transfer to RSU 5".

**Component Unit**

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14 "The Financial Reporting Entity". The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on the application of these criteria, the town has reported the following component unit:

**Freeport Economic Development Corporation (FEDC)** is a component unit of the Town and is governed by a Town appointed Board. Although it is legally separate from the Town, the FEDC is reported as if it were part of the primary government because its sole purpose is to attract new businesses to the Freeport area. There are no separately issued financial statements for this component unit and it is reported as a special revenue fund blended component unit.

**Joint Venture**

As defined in GASB Statement #14, a joint venture is a legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The Town participates in the following joint venture.

**Eastern Cumberland - Sagadahoc County Vocational Program** -The Town shares the financial and governing responsibility of the Eastern Cumberland - Sagadahoc County Vocational Program for Maine Region Ten Technical High School with Maine School Administrative District No. 75 and the Town of Brunswick, Maine. The entities fund the operations of the applied technology program through yearly assessments. Maine Region Ten Technical High School had total net assets of \$1,052,068 as of June 30, 2010 (unaudited). The financial statements of Maine Region Ten Technical High School for the year ended June 30, 2010 are available from the Region in Topsham, Maine.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and one year for all other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.



**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**The Town reports the following major governmental funds:**

**The General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Town Capital Reserve Funds** are used to account for financial resources reserved for the acquisition or construction of major equipment and capital facilities.

**The Town reports the following proprietary fund:**

**Nonemergency Transportation Program (NET)** accounts for the operation of a nonemergency transportation program operating in Southern Maine.

**Additionally, the Town reports the following fund types:**

**Fiduciary funds** account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

**Agency funds** are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Receivables**

Accounts receivable for the business-type activities include an allowance for doubtful accounts in the amount of \$113,000 as of June 30, 2010 . Management has determined that potential uncollectible accounts for intergovernmental, taxes and tax liens receivable are not material.

**E. Investments**

Investments are stated at fair value, unless otherwise indicated. Investments of the Permanent Funds, Town and School Reserve accounts and certain capital project funds are pooled on a cost basis, with each individual fund subscribing to or disposing of interest in the investment pool on the basis of cost value at the beginning of the fiscal year. As such, investment income, investment expense, and gains and losses on sales of investments are allocated to each fund based on its proportionate interest in the investment pool.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 60 years. Business-type fund capital assets are depreciated using the straight line method over the assets' estimated useful lives ranging from 4 to 7 years.

For all capital assets; buildings, vehicles and equipment, the Town elects to use the Depreciation Approach as defined by Statement No. 34 for reporting. The Town conducted an inventory of all other non-infrastructure capital assets for fiscal year 2003 and infrastructure for the fiscal year 2007. This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**G. Vacation and Sick Leave**

Under the terms of personnel policies and a union contract, vacation and sick leave are granted in varying amounts according to length of service. The Town and historically, the School Department, have accrued accumulated vacation leave and vested sick leave. The portion of this liability attributable to the General Fund, which is expected to be paid with current financial resources, is accrued in the General Fund with the balance reported in the government-wide financial statement. It is notable that the Town removed \$664,000 from its books as part of the school consolidation process; this amount is included in the net "final transfer to RSU #5" on the financial statements.

**H. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to the basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. It is notable that while several debt service payments are the responsibility of and budgeted by RSU #5, the Town must continue to book these long-term liabilities because the Town is responsible for paying the bondholders.

**I. Inventory**

Inventory in the General Fund consists of vehicle fuel and is recorded at the lower of cost or market on the first-in, first-out basis and is offset with a reserved fund balance for inventories.

**J. Interfund Transactions**

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets and service debt. These transactions are reported as operating transfers.

**K. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

**L. Use of Estimates**

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**M. Budgetary Information**

Each year the Town Manager submits to the Town Council a budget for the ensuing fiscal year. Hearings are held to obtain public comments. The budget is legally enacted by a council order. The order enacts the total Town appropriation. Budgets are adopted for the General Fund, Winslow Park Fund and Nonemergency Transportation Fund only, and are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for encumbrances. These encumbrances have been recorded as expenditures for budgetary reporting in the year encumbered. There is no effect on the fund balance at the end of the year.

**N. Recent Accounting Pronouncements**

*Hierarchy of Generally Accepted Accounting Principles*

In April 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments*. This statement incorporates the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The GASB is responsible for establishing GAAP for state and local governments, however, prior to GASB No. 55 the GAAP hierarchy was set forth in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with GAAP*, rather than in the authoritative literature of the GASB. The adoption of this statement did not have a material effect on the Town's financial position or results of operations.

*Codification of Accounting and Financial Reporting Guidance*

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement incorporates into the GASB authoritative literature accounting and financial reporting guidance on related party transactions, going concern considerations and subsequent events previously only contained in AICPA Statements on Auditing Standards. The statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The adoption of this statement did not have a material effect on the Town's financial position or results of operations.

*Fund Balance*

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The new statement is effective for financial statement periods beginning after June 15, 2010. The Government is currently assessing the impact of this statement on its financial position and changes in financial position.



**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**CASH AND INVESTMENTS**

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The Town's policy is to invest all available funds at the highest possible rates in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with the Town's cash needs during the year. Generally, the Town invests such excess funds in cash management accounts and various insured certificates of deposits.

**Deposits:**

**Custodial Credit Risk- Deposits:** Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk, but requires all deposit accounts to hold collateral either at an outside bank in the Town's name or through an irrevocable letter of credit to the Town in any amounts above the FDIC insurance limits. The Town maintains deposits in banks or savings and loans that are a member of the FDIC and qualify as a depository of public funds in the State of Maine as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. As of June 30, 2010, the Town reported deposits of \$12,186,429 with a bank balance of \$12,524,177. None of the Town's bank balances are uninsured and uncollateralized.

**Investments:**

**Custodial Credit Risk- Investments:** For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk.

At June 30, 2010, the Town had the following investments and maturities:

	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
Money market funds	\$165,940	-	\$165,940	-
Barclays TIPS Bond Fund	1,071,627	-	1,071,627	-
Mutual Funds - Equity	2,465,469	\$2,465,469	-	-
Mutual Funds - Fixed Income	2,892,479	2,892,479	-	-
<b>Total investments</b>	<b>\$6,595,515</b>	<b>\$5,357,948</b>	<b>\$1,237,567</b>	<b>-</b>

**Interest Rate Risk:** The Town does not have a formal policy related to interest rate risk. To the extent possible, the Town attempts to match investments with anticipated cash requirements that attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements.

**Credit Risk and Concentration of Credit Risk:** Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and certain corporate stocks and bonds. Generally, the Town invests such excess funds in U.S. Treasury and Agency bonds and notes, repurchase agreements, and in investment pool funds. Certain long-term reserve and trust funds are invested through a financial institution with trust powers in fixed income and equity mutual funds to provide long-term growth and income. The Town's investments in debt securities that require disclosure of credit risk were rated by Standard & Poor's as follows: Money market funds \$16,432 - AAA, Money market funds \$149,508 - unrated. Fixed income mutual funds \$1,582,452 - AAA, Fixed income mutual funds \$1,310,027 - unrated. As of June 30, 2010 the Town did not have investments in any one issuer that exceeded 5% of investments.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**PROPERTY TAX**

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Property taxes for the current period were committed on September 15, 2009, on the assessed value listed as of April 1, 2009, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 16, 2009 and May 17, 2010. Personal property taxes were due in whole on November 16, 2009. Interest at the rate of 9% per annum was charged on any amounts remaining unpaid after these dates. Assessed values are periodically established by the Assessor's agent at 100% of assumed market value. The FY 2010 assessed value was 100% of the estimated market value and 100.65% of the 2009 state valuation of \$1,558,200,000.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$438,722 for the period ended June 30, 2010.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property taxes levied during the period were recorded as receivables at the time the levy was made. The receivables collected during the period and in the first sixty days following the end of the fiscal period have been recorded as revenues. The remaining receivables have been recorded as deferred revenues. The following summarizes the tax levies:

	<u>2010</u>	<u>2009</u>
Assessed value	\$1,568,325,529	1,546,890,745
Tax rate (per \$1,000)	12.75	12.75
Commitment	19,996,150	19,722,857
Supplemental taxes assessed	12	466
	19,996,162	19,723,323
Less:		
Collections and abatements	19,220,359	19,057,526
<b>Receivable at end of period (Current year)</b>	<b>\$ 775,803</b>	<b>665,797</b>
Collection rate	96.12%	96.62%

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**SIGNIFICANT TAXPAYER**

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For the year ended June 30, 2010, the Town of Freeport committed and collected \$3,176,385 in real estate and personal property tax revenue from L.L. Bean Inc. This commitment represents approximately 15.88% of total property taxes assessed.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 was as follows:

	6/30/2009	Increases	Decreases	6/30/2010
<b>Governmental Activities</b>				
Land	\$ 1,849,869	-	360,285	\$ 1,489,584
Total capital assets not bring depreciated	1,849,869	-	360,285	1,489,584
Capital assets being depreciated				
Land improvements	1,736,907	-	166,198	1,570,709
Buildings and building improvements	29,976,967	-	19,921,127	10,055,840
Machinery, equipment, and other	5,219,066	182,988	864,100	4,537,954
Vehicles	4,671,667	170,059	1,214,643	3,627,083
Construction work in process	627,646	-	133,103	494,543
Infrastructure	6,969,522	434,416	72,943	7,330,995
Total capital assets being depreciated	49,201,775	787,463	22,372,114	27,617,124
Less accumulated depreciation	18,832,096	1,044,925	7,897,408	11,979,613
Total capital assets being depreciated, net	30,369,679	(257,462)	14,474,706	15,637,511
<b>Governmental activities capital assets, net</b>	<b>\$32,219,548</b>	<b>(257,462)</b>	<b>14,834,991</b>	<b>\$ 17,127,095</b>
<b>Business-type activities</b>				
Equipment	\$ 10,772			\$ 10,772
Vehicles	139,537			139,537
Total capital assets being depreciated	150,309			150,309
Less accumulated depreciation	119,476	11,107		130,583
<b>Business-type activities capital assets, net</b>	<b>\$ 30,833</b>	<b>(11,107)</b>	<b>-</b>	<b>\$ 19,726</b>

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2010 as follows:

**Governmental Activities**

General government	\$ 78,966
Public safety	299,754
Public works	417,776
Community services	225,779
Unclassified	22,650
<b>Total depreciation expense-governmental activities</b>	<b>1,044,925</b>

**Business-type activities**

Nonemergency Transportation Program	11,107
<b>Total depreciation expense-business activities</b>	<b>11,107</b>

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**INTERFUND TRANSACTIONS**

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During the course of normal operations the Town has numerous transactions between funds including expenditures and transfers. Individual fund interfund receivables and payables balances at June 30, 2010 arising from these transactions were as follows:

	Receivable	Payable
<b>General Fund</b>	176,799	3,487,926
<b>Special Revenue Funds:</b>		
Town reserve funds	870,731	
Winslow Park		72,731
TIF Funds	378,926	
Bartol building lease fund	490,769	
Tower lease fund	252,549	
Other Town grants and programs	384,208	
<b>Capital Project Funds:</b>		
Fire department projects	16,761	
Rescue department projects	26,507	
Public works projects	53,871	
Police department projects	2,005	
Recycling projects	153,646	
Comprehensive Town projects	529,308	
Municipal buildings and other	272,154	
Boards and committees	48,801	
Undesignated interest		
<b>Enterprise NET program</b>		79,146
<b>Permanent funds</b>	1,199	18,431
<b>Totals</b>	<b>\$ 3,658,234</b>	<b>\$ 3,658,234</b>

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**FUND BALANCE**

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At June 30, 2010, the General Fund's fund balance was comprised of the following:

<b>Reservations:</b>	
Carryover	\$ 101,304
Inventory	15,154
Future retirement pay	173,750
<b>Total</b>	<b>\$ 290,208</b>
<b>Designated fund balances:</b>	
Town FY 2011 budgeted use of Fund Balance	\$ 508,287
Tax rate stabilization account	1,000,000
<b>Total</b>	<b>\$ 1,508,287</b>
<b>Undesignated fund balance:</b>	
Town undesignated	4,527,932
<b>Total</b>	<b>\$ 4,527,932</b>



**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**PENSION PLANS**

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**Maine State Retirement System**

**Description of the Plan** - The Town contributes to the Maine State Retirement System Consolidated Plan, a cost sharing, multiple employer retirement system established by the Maine State Legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute a percentage of their annual covered salary. The Town is required to contribute an actuarially determined rate. Employer and member rates for the year ended June 30, 2010 were as follows:

	<u>Special #2C</u>
Employer payroll rate(s):	
Normal cost	9.6%
Pooled UAL	-5.6%
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Total payroll rate	4.0%
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Monthly IUUAL available (7/1/09-6/30/10):	
Payment/(Credit)	(\$ 3,429)
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Member contribution rate(s)	6.5%

Prior to the Consolidated Plan, the Town had a separate inactive District Plan. Effective July 1, 2003, the Town elected to join the Consolidated Plan. Under the terms of joining the Consolidated Plan, the Town has an Initial Unpooled Unfunded Actuarial Liability Credit (IUUAL). The credit is being amortized over 12 years starting with the fiscal year 2008. Employer contributions for the year ended June 30, 2010 were \$24,731 net of credits taken. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement System Board of Trustees. For the year ended June 30, 2010, employee contributions to the plan totaled \$107,152.

**Defined Contribution Plan**

The Town offers its regular employees a defined contribution money purchase plan created in accordance with Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate and are vested from the date of employment. Participating employees are required to contribute 7% of compensation for the year and the Town matches the employees' contribution with 10% of compensation for the plan year. For the year ended June 30, 2010, the Town's contribution to the plan totaled \$147,617.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**PENSION PLANS - CONTINUED**

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**Deferred Compensation Plan**

The Town offers all its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets are not included in the Town's financial statements.

**Other**

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security (including Medicare) was approximately \$287,542 for the year ended June 30, 2010.

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2009 was as follows:

Changes in Long-Term Liabilities Footnote	Beginning Balance	Additions	Reductions	Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 10,337,605	\$ -	\$ 1,422,983	\$ 8,914,622	\$ 1,367,983
Compensated absences	864,305	12,787	663,977	213,115	
Landfill post-closure costs	422,000	-	13,000	409,000	
Other post-employment benefits	98,817	102,233	31,757	169,293	
<b>Governmental Activity</b>					
Long-term liabilities	\$ 11,722,727	\$ 115,020	\$ 2,131,717	\$ 9,706,030	\$ 1,367,983

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**OTHER POST-EMPLOYMENT BENEFITS**

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The Governmental Accounting Standard Board (GASB) recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post-employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, was implemented, as required, by the Town of Freeport for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other post-employment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in May 2009. GASB 45 rules allow employers with less than 200 employees to use the same actuarial study for three years. The Town's annual required contribution (ARC) is \$98,917; this is offset by \$13,409 in current year payments by employees during FY 2010.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

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**Plan Descriptions** – In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

**Funding Policy and Annual OPEB Cost** – GASB Statement 45 does not mandate the prefunding of post-employment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide post-employment benefits. The ARC, an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 44,082
Amortization of unfunded	52,797
Interest	1,938
<u>Annual Required Contribution</u>	<u>\$98,817</u>

**Funding Status and Funding Progress** – The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2009 was as follows:

Annual required contribution	\$ 98,817
Interest on Net OPEB Obligation	3,416
Amortization adjustment to ARC	(4,939)
Annual OPEB Cost	97,294
Contributions Made	(13,409)
Increase (decrease) in Net OPEB Obligation	83,885
Net OPEB Obligation, Beginning of Year	85,408
Net OPEB Obligation, End of Year	169,293
Actuarial accrued liability	\$949,479
<u>Plan assets</u>	<u>0</u>
Unfunded actuarial accrued liability	\$949,479
Covered payroll	\$3,469,043
Unfunded actuarial accrued liability as a percentage of covered payroll	27%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

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**Actuarial Methods and Assumptions** – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/09
Actuarial cost method	Early age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

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**CONTINGENCIES**

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The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**Grant Funds** - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

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**COMMITMENTS**

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As of June 30, 2010 the Town has incurred approximately \$495,000 in construction in progress for several roads and a weatherization project at Town hall. Total anticipated costs for these projects upon completion will be approximately \$900,000.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**LANDFILL CLOSURE AND POST CLOSURE COSTS**

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The following is a summary of the estimated cost of current landfill and post-closure operations for the Town's landfill for the year ended June 30, 2010:

	<b>Years Remaining</b>	<b>Cost Per-Year</b>	<b>Total Cost</b>
Post Closure Monitoring			
1996 Landfill-Total 30-Year Requirement	11	\$ 5,000	\$ 55,000
Post Closure Monitoring			
1990 Landfill-Total 30-Year Requirement	10	7,000	70,000
Current Activities in Open Portion			
Net 9 Years	9	4,000	36,000
Last 21 Years	21	3,000	63,000
Demo Debris Closure Cost			<u>185,000</u>
<b>Total Landfill Liability</b>			<u><b>\$ 409,000</b></u>

Under existing state law, Maine communities have to close existing landfills under a State-approved plan and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Historically, the Town maintained two old solid waste landfills which were closed and permanently capped in 1990 and 1996. Additionally, the Town maintains a demolition debris landfill which is near full capacity. The transfer station has been modified to handle and transport future materials. The demolition debris landfill will be accepting limited material for the next few years and is to be closed thereafter. The Town has set aside funds totaling \$116,000 for its closure. The Town has estimated that there will be post closure care costs for the various landfills approximating \$224,000 over the next 30 years. As such, the Town has recognized a liability of \$185,000 for closure and an estimate for post closure monitoring and maintenance costs of \$224,000 for a total of \$409,000 in the government-wide financial statements. The actual costs of closure and post closure care may be higher or lower due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**LONG-TERM DEBT**

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Bonds and notes payable at June 30, 2010 are comprised of the following:

	<b>Date of Issue</b>	<b>Original Amount Issued</b>	<b>Date of Maturity</b>	<b>Interest Rate</b>	<b>Balance June 30, 2010</b>
<b>Governmental activities:</b>					
1990 Capital improvemenets	9/1/1990	\$ 6,175,000	2010	7.24%	\$ 275,000
1992 Capital improvemenets	12/15/1998 (1)	3,274,000	2012	4.21%	440,000
1997 Capital improvemenets	12/15/1997 (2)	4,275,000	2016	2.91%	1,100,000
2000 Capital improvemenets	2/8/2001	4,888,000	2021	4.58%	2,445,000
2001 Capital improvemenets	10/25/2001	517,000	2011	4.40%	95,400
2001 Capital improvemenets	2/14/2002	1,000,000	2022	4.60%	600,000
2002 Capital improvemenets	10/30/2002	540,500	2012	2.98%	128,550
2002 Capital improvemenets	11/7/2002	4,491,000	2012	4.32%	2,915,000
2008 Capital improvemenets	2/1/2008	655,000	2008	2.92%	495,000
2008 MMBB	10/30/2008	262,165	2013	0.00%	150,672
2009 MMBB	3/11/2009	300,000	2019	Variable	270,000
<b>Total bonds and notes payable</b>					<b>\$ 8,914,622</b>

(1) Bonds were originally issued in 1992 but were refinanced in 1998 at a lower cost.

(2) Bonds were originally issued in 1997 but were refinanced in 2008 at a lower cost

Arbitrage rebate - Pursuant to the Tax Reform Act of 1986, municipalities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. There are certain exceptions which result in a municipal issuer not having to calculate or pay the required rebate. The Town of Freeport has met these exceptions since the effective date of the regulations.

The Town is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the Town. The Town's outstanding long-term debt of \$8,914,622 at June 30, 2010 was within the statutory limit.

The annual requirements to amortize all debt outstanding at June 30, 2010 are as follows. Such amounts exclude overlapping debt requirements, but include School debt requirements to be reimbursed by the State of Maine.



**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2010**

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**LONG-TERM DEBT, CONTINUED**

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Year	Principal	Interest	Total
2011	\$ 1,367,983	\$ 346,059	\$ 1,714,042
2012	1,062,983	297,199	1,360,182
2013	978,656	260,390	1,239,046
2014	730,000	228,054	958,054
2015	730,000	199,658	929,658
2016-2020	3,060,000	585,126	3,645,126
2021-2025	985,000	66,138	1,051,138
<b>Totals</b>	<b>\$ 8,914,622</b>	<b>\$ 1,982,624</b>	<b>\$ 10,897,246</b>

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**OVERLAPPING DEBT AND OTHER CONTINGENCIES**

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**Overlapping Debt**

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's state valuation to the County's state valuation. For the year ended June 30, 2010, the Town's share of the expenditure was \$212,625 (3.72%) of Cumberland County's outstanding debt of \$5,720,000.

**Other Contingencies**

ECOMAIN (formerly Regional Waste Systems, Inc.), a Maine corporation with over twenty participating municipalities including the Town of Freeport, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of ECOMAIN payable from and secured by a pledge of ECOMAIN revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ECOMAIN has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to ECOMAIN for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2010, outstanding "Incinerator Debt" of ECOMAIN totaled \$9,210,000 and "Material Recycling Facility Debt" of ECOMAIN totaled \$1,980,000 of which the Town of Freeport's share, based on estimated tonnage to be delivered, amounted to \$293,237 and \$51,876, respectively. Additionally, the Town's share of the projected landfill closure and post closure cost relating to ECOMAIN is estimated to be \$470,377.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2009**

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association and in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage.

Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2010.



**TOWN OF FREEPORT, MAINE**  
**Required Supplementary Information**  
**Other Post-Employment Benefits Schedule of Funding Progress**  
**Year ended June 30, 2010**

Fiscal Year of Actuarial Valuation	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2010	\$ -	\$ 949,479	\$ 949,479	\$ -	\$3,469,043	27%
June 30, 2009	\$ -	\$ 949,479	\$ 949,479	\$ -	\$3,510,086	27%

## GENERAL FUND

**TOWN OF FREEPORT, MAINE**  
**Comparative Balance Sheets - General Fund**  
**June 30, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Cash	\$ 10,138,092	11,684,505
Investments	16,432	16,417
Accounts receivables	51,907	80,250
Intergovernmental receivables	-	366,737
Taxes receivable	789,062	676,713
Tax liens	291,790	229,468
Inventory	15,154	19,986
Interfund loans	176,799	382,187
<b>Total assets</b>	<b>\$ 11,479,236</b>	<b>13,456,263</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 212,283	938,193
Accrued wages and benefits	168,863	65,723
Compensated absences payable	239,176	220,612
Taxes collected in advance	-	-
Interfund loans	3,487,926	4,416,388
Development escrows	196,422	248,928
Deferred tax revenues	722,208	621,701
Other deferred revenues	125,931	370,473
<b>Total liabilities</b>	<b>5,152,809</b>	<b>6,882,018</b>
Fund balance:		
Reserved for:		
Carryover	101,304	114,024
Inventory	15,154	19,986
Future retirement pay	173,750	173,750
Designated	1,508,287	1,469,125
Undesignated - School	-	277,098
Undesignated - Town	4,527,932	4,520,262
<b>Total fund balance</b>	<b>6,326,427</b>	<b>6,574,245</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,479,236</b>	<b>13,456,263</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund**  
**Year ended June 30, 2010**

(with comparative actual amounts for the year ended June 30, 2009)

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 18,360,065	18,714,316	354,251	18,920,192
Excise taxes and registration fees	1,239,000	1,316,407	77,407	1,342,755
Interest and lien costs	65,000	80,668	15,668	107,649
Total taxes	19,664,065	20,111,391	447,326	20,370,596
Licenses, permits and fees:				
Building, plumbing and electrical permits	64,700	81,790	17,090	98,191
Town clerk licenses and fees	30,400	40,261	9,861	42,241
Moorings and other harbor fees	81,000	83,865	2,865	84,042
Solid waste permits	2,640	2,275	(365)	2,725
Shellfish licenses	13,200	12,636	(564)	17,649
Total licenses, permits and fees	191,940	220,827	28,887	244,848
Intergovernmental:				
Education subsidies	-	-	-	1,623,241
Adult education subsidy	-	-	-	48,578
State tree growth reimbursement	36,000	34,114	(1,886)	43,206
State general assistance	8,000	12,261	4,261	21,693
State revenue sharing	600,000	533,336	(66,664)	657,168
State homestead exemption reimbursement	139,400	160,625	21,225	155,092
State road assistance	150,000	130,856	(19,144)	147,340
Public safety contributions	59,150	58,838	(312)	32,950
Other intergovernmental	214,750	312,356	97,606	29,552
Total intergovernmental	1,207,300	1,242,386	35,086	2,758,820
Tuition and other charges for services - education	-	-	-	990,954
Charges for services:				
Planning	8,000	14,790	6,790	26,035
Transfer station and recycling	105,000	146,996	41,996	144,646
Parking lot	-	-	-	37,500
Vehicle maintenance	5,000	6,798	1,798	6,668
Engineering	15,000	8,085	(6,915)	23,573
Total charges for services	133,000	176,669	43,669	238,422
Fees and fines:				
Police parking and other fines	57,400	59,117	1,717	62,287
Library fines and fees	10,000	12,972	2,972	10,686
Alarm and other fire fees	21,000	25,575	4,575	24,275
Total fees and fines	88,400	97,664	9,264	97,248

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	46,362	66,829	20,467	291,175
Investment earnings	160,000	164,124	4,124	392,676
Total revenues	21,491,067	22,079,890	588,823	25,384,739
Expenditures:				
Current:				
General government:				
Town council	105,709	65,338	40,371	65,300
Town manager	126,757	123,916	2,841	126,782
Finance and treasury	289,998	265,316	24,682	272,082
Assessing	127,743	124,998	2,745	123,999
Code enforcement	73,345	71,337	2,008	72,570
Town clerk and elections	90,961	79,789	11,172	84,197
General administration	146,483	143,510	2,973	96,408
Municipal buildings	274,786	244,479	30,307	254,471
Planning	115,976	114,082	1,894	109,177
Total general government	1,351,758	1,232,765	118,993	1,204,986
Public Safety:				
Police department	858,166	854,706	3,460	858,288
Special enforcement	45,627	49,453	(3,826)	43,978
Fire department	347,440	345,813	1,627	329,482
Rescue	281,079	277,780	3,299	266,663
Dispatch	216,707	207,154	9,553	201,173
Hydrant rental	170,000	142,184	27,816	145,628
Street lights	51,500	41,159	10,341	40,729
Total public safety	1,970,519	1,918,249	52,270	1,885,941
Public Works:				
General road operations	704,697	640,656	64,041	685,032
Summer roads	618,500	586,213	32,287	597,587
Winter roads	152,000	87,875	64,125	148,145
Tree program	15,500	14,480	1,020	12,785
Solid waste	471,043	429,463	41,580	420,472
Engineering	103,519	96,424	7,095	85,644
Total public works	2,065,259	1,855,111	210,148	1,949,665

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	42,300	39,800	2,500	45,600
Public library	373,425	347,959	25,466	350,070
Cable TV	60,498	60,422	76	60,703
Promotions	7,800	2,208	5,592	3,913
General assistance	90,690	88,816	1,874	88,617
Coastal waters	56,690	51,044	5,646	48,648
Shellfish commission	4,100	3,824	276	2,211
Other	5,350	3,281	2,069	2,827
Total community services	640,853	597,354	43,499	602,589
Education:				
Education	12,985,533	12,985,533	-	15,860,556
Total education	12,985,533	12,985,533	-	15,860,556
Insurance and fringe benefits:				
Employee benefits	1,307,660	1,232,799	74,861	1,052,811
Insurances	96,000	86,310	9,690	77,413
Total insurance and fringe benefits	1,403,660	1,319,109	84,551	1,130,224
Unclassified:				
County tax	824,736	824,736	-	788,142
Freeport Economic Development Corp.	85,000	83,914	1,086	
Bustin's Island Corporation	168,000	160,623	7,377	156,897
Miscellaneous & contingency	83,500	21,602	61,898	137,593
Abatements	25,000	12,992	12,008	14,396
Total unclassified	1,186,236	1,103,867	82,369	1,097,028
Debt service	714,374	705,347	9,027	702,467
Total expenditures	22,318,192	21,717,335	600,857	24,433,456
Excess (deficiency) of revenues over expenditures	(827,125)	362,555	1,189,680	951,283

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of surplus - Town	469,125	-	(469,125)	-
Budgeted utilization of surplus - Reserves	-	-	-	(455,000)
Final Transfer to RSU #5	-	(277,098)	(277,098)	-
Operating transfers in	358,000	358,000	-	358,000
Operating transfers out	-	(691,275)	(691,275)	(8,352)
Total other financing sources (uses)	827,125	(610,373)	(1,437,498)	(105,352)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	(247,818)	(247,818)	845,931
Reconciliation to GAAP basis:				
Encumbrances	-	-	-	23,082
Future retirement and vacation pay	-	-	-	-
Excess of revenues and other financing sources over expenditures - GAAP basis		(247,818)		869,013
Fund balance, beginning of year		6,574,245		5,705,232
<b>Fund balance, end of year</b>	<b>\$</b>	<b>6,326,427</b>		<b>6,574,245</b>

*See accompanying independent auditors' report.*

## **OTHER GOVERNMENTAL FUNDS**



**TOWN OF FREEPORT**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2010**

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash	\$ 713,724	-	-	713,724
Investments	54,590	-	961,508	1,016,098
Due from other governments	-	-	-	-
Accounts receivable	2,675	-	117	2,792
Inventory	-	-	-	-
Interfund loans	1,506,452	1,103,053	1,199	2,610,704
<b>Total assets</b>	<b>\$ 2,277,441</b>	<b>1,103,053</b>	<b>962,824</b>	<b>4,343,318</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	54,575	7,560	500	62,635
Interfund loans	72,731	-	18,431	91,162
<b>Total liabilities</b>	<b>127,306</b>	<b>7,560</b>	<b>18,931</b>	<b>153,797</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Inventory	-	-	-	-
Encumbrances	-	-	-	-
Nonexpendable trust funds	-	-	943,893	943,893
<b>Unreserved</b>				
Designated	100,000	-	-	100,000
<b>Undesignated, reported in:</b>				
Special revenue funds	2,050,135	-	-	2,050,135
Capital project funds	-	1,095,493	-	1,095,493
<b>Total fund balance</b>	<b>2,150,135</b>	<b>1,095,493</b>	<b>943,893</b>	<b>4,189,521</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,277,441</b>	<b>1,103,053</b>	<b>962,824</b>	<b>4,343,318</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2010**

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 1,197,363	-	-	1,197,363
Charges for services	785,635	-	-	785,635
Gifts and donations	37,697	-	6,346	44,043
Intergovernmental	84,372	247,937	-	332,309
Unclassified	24,305	146,231	-	170,536
Investment income	12,217	(1,003)	104,658	115,872
<b>Total revenues</b>	<b>2,141,589</b>	<b>393,165</b>	<b>111,004</b>	<b>2,645,758</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	-	-
Public works	18,991	-	-	18,991
Education	-	-	-	-
Unclassified	1,876,852	-	28,625	1,905,477
Capital outlay	104,269	1,197,231	-	1,301,500
Debt service	164,962	-	-	164,962
Food services	-	-	-	-
<b>Total expenditures</b>	<b>2,165,074</b>	<b>1,197,231</b>	<b>28,625</b>	<b>3,390,930</b>
<b>Excess of revenues over expenditures</b>	<b>(23,485)</b>	<b>(804,066)</b>	<b>82,379</b>	<b>(745,173)</b>
<b>Other financing sources (uses):</b>				
Bond proceeds	-	-	-	-
Transfers (to) from other funds	(489,892)	58,713	-	(431,179)
Final Transfer to RSU #5	(417,865)	(56,437)	-	(474,302)
<b>Total other financing sources (uses)</b>	<b>(907,757)</b>	<b>2,276</b>	<b>-</b>	<b>(905,481)</b>
<b>Excess (deficiency) of revenues over expenditures and other financing sources and (uses)</b>	<b>(931,242)</b>	<b>(801,790)</b>	<b>82,379</b>	<b>(1,650,654)</b>
<b>Fund balances, beginning of year</b>	<b>3,081,377</b>	<b>1,897,283</b>	<b>861,514</b>	<b>5,840,174</b>
<b>Fund balances, end of year</b>	<b>\$ 2,150,135</b>	<b>1,095,493</b>	<b>943,893</b>	<b>4,189,521</b>

*See accompanying independent auditors' report.*

## **SPECIAL REVENUE FUNDS**

**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2010**

		Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	Leon Gorman Park	Totals 2010
<b>ASSETS</b>									
Cash	\$	554,353	159,371	-	-	-	-	-	713,724
Investments		-	-	-	-	-	54,590	-	54,590
Due from other governments		-	-	-	-	-	-	-	-
Accounts receivable		2,315	-	-	-	-	360	-	2,675
Inventory		-	-	-	-	-	-	-	-
Interfund loans receivable		-	378,926	490,769	252,549	226,197	-	158,011	1,506,452
<b>Total assets</b>	<b>\$</b>	<b>556,668</b>	<b>538,297</b>	<b>490,769</b>	<b>252,549</b>	<b>226,197</b>	<b>54,950</b>	<b>158,011</b>	<b>2,277,441</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	\$	5,209	41,355	-	-	7,971	-	40	54,575
Accrued wages		-	-	-	-	-	-	-	-
Interfund loans payable		72,731	-	-	-	-	-	-	72,731
<b>Total liabilities</b>		<b>77,940</b>	<b>41,355</b>	<b>-</b>	<b>-</b>	<b>7,971</b>	<b>-</b>	<b>40</b>	<b>127,306</b>
<b>Fund balances:</b>									
Reserved for inventory		-	-	-	-	-	-	-	-
Reserved for encumbrances		-	-	-	-	-	-	-	-
<b>Unreserved:</b>									
Designated		-	-	100,000	-	-	-	-	100,000
Undesignated		478,728	496,942	390,769	252,549	218,226	54,950	157,971	2,050,135
<b>Total fund balances</b>		<b>478,728</b>	<b>496,942</b>	<b>490,769</b>	<b>252,549</b>	<b>218,226</b>	<b>54,950</b>	<b>157,971</b>	<b>2,150,135</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>556,668</b>	<b>538,297</b>	<b>490,769</b>	<b>252,549</b>	<b>226,197</b>	<b>54,950</b>	<b>158,011</b>	<b>2,277,441</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2010**

	All School Funds	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	Leon Gorman Park	Totals 2010
Revenues:									
Property taxes	\$	-	1,197,363	-	-	-	-	-	1,197,363
Charges for services		248,422	-	352,225	184,988	-	-	-	785,635
Gifts and donations		-	-	-	-	37,697	-	-	37,697
Intergovernmental		-	-	-	-	84,372	-	-	84,372
Investment income		-	264	-	-	-	-	11,953	12,217
Unclassified		-	-	-	-	22,539	1,766	-	24,305
Total revenues		248,422	1,197,627	352,225	184,988	144,608	1,766	11,953	2,141,589
Expenditures:									
Current:									
Public safety		-	-	-	-	-	-	-	-
Public works		-	-	-	-	18,991	-	-	18,991
Education		-	-	-	-	-	-	-	-
Unclassified		213,337	1,468,312	-	-	146,318	29,385	19,500	1,876,852
Debt service		-	164,962	-	-	-	-	-	164,962
Food services		-	-	-	-	-	-	-	-
Capital		-	104,269	-	-	-	-	-	104,269
Total expenditures		213,337	1,737,543	-	-	165,309	29,385	19,500	2,165,074
Excess (deficiency) of revenues over (under) expenditures		35,085	(539,916)	352,225	184,988	(20,701)	(27,619)	(7,547)	(23,485)
Other financing sources (uses):									
Transfer to (from) other funds	(417,865)	-	-	(350,000)	(175,000)	35,108	-	-	(907,757)
Total other financing sources (uses)	(417,865)	-	-	(350,000)	(175,000)	35,108	-	-	(907,757)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(417,865)	35,085	(539,916)	2,225	9,988	14,407	(27,619)	(7,547)	(931,242)
Fund balances, beginning of year	417,865	443,643	1,036,858	488,544	242,561	203,819	82,569	165,518	3,081,377
Fund balances, end of year	\$ -	478,728	496,942	490,769	252,549	218,226	54,950	157,971	2,150,135

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2010**

	Fund Balance (deficit) June 30, 2009	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2010
		Inter- governmental	Other				
<b>Town Reserve Funds (Major Fund):</b>							
Unemployment compensation fund	\$ 301,698	-	25,549	6,105	19,444	-	321,142
General administration reserve	407,679	-	25,309	1,016	24,293	(95,000)	336,972
Police equipment reserve	206,358	-	23,325	123,031	(99,706)	162,500	269,151
Cable TV equipment reserve	273,033	-	110,781	580	110,201	(47,000)	336,234
Public infrastructure reserve	1,688,489	-	281,274	303,615	(22,341)	303,615	1,969,763
Land Trust reserve	16,612	-	1,127	42	1,085	-	17,697
Public works equipment reserve	944,606	-	74,294	2,455	71,839	80,000	1,096,445
Ambulance equipment reserve	542,850	-	250,740	1,374	249,366	(105,000)	687,216
Building maintenance reserve	583,126	-	37,063	1,455	35,608	100,000	718,734
Fire equipment reserve	712,530	-	57,093	1,812	55,281	41,000	808,811
Municipal parking lot reserve	261,023	-	34,683	10,758	23,925	-	284,948
Hedgehog mountain reserve	21,374	-	1,455	999	456	-	21,830
Recycling equipment reserve	265,318	-	17,313	663	16,650	40,000	321,968
Road impact fee reserve	96,000	-	42,765	-	42,765	-	138,765
Community center reserve	25,797	-	1,411	52	1,359	(1,000)	26,156
Land Purchase Reserve	-	-	(5,762)	488	(6,250)	153,702	147,452
Community Center Loan Repayment	-	-	(1,685)	143	(1,828)	62,575	60,747
Energy Savings Reserve	-	-	-	-	-	13,775	13,775
Other	117,982	-	1,695	6,453	(4,758)	100,287	213,511
<b>Total town reserve funds</b>	<b>6,464,475</b>	<b>-</b>	<b>978,430</b>	<b>461,041</b>	<b>517,389</b>	<b>809,454</b>	<b>7,791,318</b>
 <b>Winslow Park fund</b>	 443,643	 -	 248,422	 213,336	 35,086	 -	 478,729
<b>TIF Funds:</b>							
TIF I -Desert road	54,438	-	-	-	-	-	54,438
TIF II - Desert road phase II	554,561	-	1,000,757	1,499,469	(498,712)	-	55,849
TIF III - Nursing home	156,421	-	2,950	-	2,950	-	159,371
TIF IV - Destination TIF	271,438	-	145,543	189,695	(44,152)	-	227,286
TIF V - Hotel TIF	-	-	48,379	48,379	-	-	-
<b>Total TIF funds</b>	<b>1,036,858</b>	<b>-</b>	<b>1,197,629</b>	<b>1,737,543</b>	<b>(539,914)</b>	<b>-</b>	<b>496,944</b>
 <b>Bartol Building Lease Fund</b>	 488,544	 -	 352,225	 -	 352,225	 (350,000)	 490,769
 <b>Tower Lease Fund</b>	 242,561	 -	 184,988	 -	 184,988	 (175,000)	 252,549
 <b>All School Funds</b>	 417,865	 -	 -	 -	 -	 (417,865)	 -

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2010**

	Fund Balance (deficit) June 30, 2009	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2010
		Inter- governmental	Other				
Town Grants and Programs:							
Jump start program	\$ 381	-	-	-	-	-	381
FEMA	143,982	6,178	-	18,991	(12,813)	-	131,169
Regional Efficiency grant	(4,471)	5,720	-	-	5,720	-	1,249
Department of Marine Resource Audit	-	-	-	-	-	-	-
CDBG-Historic Society	-	7,425	-	7,425	-	-	-
ARRA-Town Hall Weatherization	-	-	-	-	-	24,000	24,000
Efficiency Maine-Library Solar Panels	-	44,552	-	55,660	(11,108)	11,108	-
Maine Arts Commission	-	7,500	7,793	13,852	1,441	-	1,441
Shellfish Water Testing	1,103	-	9,835	3,075	6,760	-	7,863
Fuel Assistance Fund-Freeport	6,479	-	10,885	11,368	(483)	-	5,996
Fuel Assistance Fund-Yarmouth	8,012	-	3,936	10,218	(6,282)	-	1,730
Other	48,333	12,997	27,787	44,720	(3,936)	-	44,397
Total Town Grants and Projects	203,819	84,372	60,236	165,309	(20,701)	35,108	218,226
Freeport Economic Development Corporation	82,569	-	1,766	29,385	(27,619)	-	54,950
Leon Gorman Park	165,518	-	11,953	19,500	(7,547)	-	157,971
Total special revenue funds	\$ 9,545,852	84,372	3,035,649	2,626,114	493,907	(98,303)	9,941,455

*See accompanying independent auditors' report.*

**CAPITAL PROJECT FUNDS**



**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
**June 30, 2010**

	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other	Boards and Committees	Undesignated Interest	Total 2010
<b>ASSETS</b>										
Cash	\$ -	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-
Interfund loans	16,761	26,507	53,871	2,005	153,646	529,309	272,154	48,801	-	1,103,053
<b>Total assets</b>	<b>\$ 16,761</b>	<b>26,507</b>	<b>53,871</b>	<b>2,005</b>	<b>153,646</b>	<b>529,309</b>	<b>272,154</b>	<b>48,801</b>	<b>-</b>	<b>1,103,053</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Accounts payable	\$ -	-	-	-	-	1,431	1,148	4,981	-	7,560
Interfund loans	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,431</b>	<b>1,148</b>	<b>4,981</b>	<b>-</b>	<b>7,560</b>
<b>Fund balances:</b>										
Unreserved, undesignated	16,761	26,507	53,871	2,005	153,646	527,878	271,006	43,820	-	1,095,493
<b>Total fund balances</b>	<b>16,761</b>	<b>26,507</b>	<b>53,871</b>	<b>2,005</b>	<b>153,646</b>	<b>527,878</b>	<b>271,006</b>	<b>43,820</b>	<b>-</b>	<b>1,095,493</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,761</b>	<b>26,507</b>	<b>53,871</b>	<b>2,005</b>	<b>153,646</b>	<b>529,309</b>	<b>272,154</b>	<b>48,801</b>	<b>-</b>	<b>1,103,053</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Project Funds**  
**Year ended June 30, 2010**

	School Department Projects	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other	Boards and Committees	Undesignated Interest	Total 2010
<b>Revenues:</b>											
Interest earnings	\$ -	-	-	-	-	-	-	-	-	(1,003)	(1,003)
Intergovernmental	-	83,600	-	-	4,550	-	159,787	-	-	-	247,937
Other revenue	-	-	-	-	-	-	-	-	140,000	6,231	146,231
<b>Total revenues</b>	-	83,600	-	-	4,550	-	159,787	-	140,000	5,228	393,165
<b>Expenditures:</b>											
Capital outlay	-	126,604	-	231,232	12,931	1,874	479,287	149,912	195,391	-	1,197,231
<b>Total expenditures</b>	-	126,604	-	231,232	12,931	1,874	479,287	149,912	195,391	-	1,197,231
<b>Excess of revenues over expenditures</b>	-	(43,004)	-	(231,232)	(8,381)	(1,874)	(319,500)	(149,912)	(55,391)	5,228	(804,066)
<b>Other financing sources (uses):</b>											
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfer in (out)	(56,437)	39,000	-	-	-	-	97,500	192,777	(147,702)	(122,862)	2,276
<b>Total other financing sources (uses)</b>	(56,437)	39,000	-	-	-	-	97,500	192,777	(147,702)	(122,862)	2,276
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	(56,437)	(4,004)	-	(231,232)	(8,381)	(1,874)	(222,000)	42,865	(203,093)	(117,634)	(801,790)
<b>Fund balances, beginning of year</b>	56,437	20,765	26,507	285,103	10,386	155,520	749,878	228,141	246,913	117,634	1,897,283
<b>Fund balances, end of year</b>	\$ -	16,761	26,507	53,871	2,005	153,646	527,878	271,006	43,820	-	1,095,493

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2010**

	Fund Balance (deficit) June 30, 2009	Revenues and Other Sources					Fund Balance (deficit) June 30, 2010
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers	Expenditures	
<b>Fire Department Capital Project Funds</b>							
Protective clothing	\$ 1,805	-	-	-	14,000	14,571	1,234
Engine Five	(6,415)	-	-	-	-	2,423	(8,838)
Engine Three repair	18,292	-	-	-	-	23,119	(4,827)
Air packs & compressor	(474)	-	-	-	-	-	(474)
Communication upgrade	(2,449)	-	-	-	-	-	(2,449)
Vehicle Exhaust and Ventillation System	4,400	83,600	-	-	-	86,491	1,509
Chief's Vehicle	-	-	-	-	25,000	-	25,000
Other	5,607	-	-	-	-	-	5,607
<b>Total fire department</b>	<b>20,765</b>	<b>83,600</b>	<b>-</b>	<b>-</b>	<b>39,000</b>	<b>126,604</b>	<b>16,761</b>
<b>Rescue Department Capital Project Funds</b>							
Protective clothing	15,208	-	-	-	-	-	15,208
Ambulance replacement	-	-	-	-	-	-	-
Communication upgrade	6,937	-	-	-	-	-	6,937
Rescue Equipment	4,362	-	-	-	-	-	4,362
Other	-	-	-	-	-	-	-
<b>Total rescue department</b>	<b>26,507</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,507</b>
<b>Public Works Capital Project Funds</b>							
Grader repair	21,601	-	-	-	-	-	21,601
Dump truck replacement, sander & plow	162,450	-	-	-	-	144,846	17,604
Bulldozer repair	-	-	-	-	-	-	-
Fuel Depot	96,000	-	-	-	-	86,180	9,820
Dump body repairs	-	-	-	-	-	-	-
Pick-Up Truck Replacement	1,783	-	-	-	-	206	1,577
Dump Truck Body Sand Blast and Paint	3,269	-	-	-	-	-	3,269
<b>Total public works</b>	<b>285,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231,232</b>	<b>53,871</b>
<b>Police Department Capital Project Funds</b>							
Communication upgrade	3,850	-	-	-	-	3,830	20
Bullet proof vests	4,719	4,550	-	-	-	9,101	168
Other	1,817	-	-	-	-	-	1,817
<b>Total police department</b>	<b>10,386</b>	<b>4,550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,931</b>	<b>2,005</b>
<b>School Capital Project Funds</b>	<b>56,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56,437)</b>	<b>-</b>	<b>-</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2010**

	Fund Balance June 30, 2009	Revenues and Other Sources				Expenditures	Fund Balance June 30, 2010
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers		
<b>Recycling Capital Project Funds:</b>							
Landfill closing	\$ 116,436	-	-	-	-	-	116,436
Other	39,084	-	-	-	-	1,874	37,210
<b>Total recycling capital projects</b>	<b>155,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,874</b>	<b>153,646</b>
<b>Comprehensive Town Improvement Funds:</b>							
Pleasant Hill road projects	-	-	-	-	-	-	-
Mallet Drive paving match	4,362	-	-	-	-	2,143	2,219
Main St. paving and drainage match	37,103	-	-	-	-	1,611	35,492
Flying Point Road	267,000	159,787	-	-	-	261,877	164,910
North Main Street sidewalks	153,000	-	-	-	-	41,418	111,582
Cottage & Forest Street reconstruction	6,612	-	-	-	-	5,957	655
South Street project	17,582	-	-	-	-	-	17,582
Desert Road match	23,000	-	-	-	-	-	23,000
East Street reconstruction project	51,079	-	-	-	-	43,783	7,296
Park Street reconstruction project	55,394	-	-	-	-	36,888	18,506
Sequoia Drive project	3,093	-	-	-	-	2,591	502
Burnett Road Bridge	39,548	-	-	-	-	28,500	11,048
Varney Road-Partial Reconstruction	45,114	-	-	-	-	51,110	(5,996)
Bow Street Paving Main to Dennison (PACTS)	31,000	-	-	-	-	-	31,000
Prout Road Culvert	-	-	-	-	60,000	-	60,000
Independence Drive Culvert	-	-	-	-	37,500	-	37,500
Other	15,991	-	-	-	-	3,409	12,582
<b>Total comprehensive town improvement</b>	<b>749,878</b>	<b>159,787</b>	<b>-</b>	<b>-</b>	<b>97,500</b>	<b>479,287</b>	<b>527,878</b>
<b>Municipal Buildings and Other Improvement Funds:</b>							
Computer system upgrade	50,651	-	-	-	20,000	25,973	44,678
Dunning boat yard	2,445	-	-	-	-	-	2,445
Cable TV	14,677	-	-	-	14,000	8,304	20,373
Valuation update	13,313	-	-	-	7,000	-	20,313
Building Winterization	57,317	-	-	-	107,777	104,620	60,474
Other	89,737	-	-	-	44,000	11,015	122,722
<b>Total municipal buildings and other</b>	<b>228,141</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192,777</b>	<b>149,912</b>	<b>271,006</b>
<b>Boards and Committees Improvement Funds:</b>							
Recreation fund	5,131	-	-	-	-	-	5,131
Harbor fund	24,531	-	-	-	-	-	24,531
Land conservation fund	153,702	-	-	-	(153,702)	-	-
Citizens Survey & performance measures	6,889	-	-	-	-	391	6,498
Harbor Master boat	-	-	-	-	-	-	-
Community Center Building	55,000	-	140,000	-	6,000	195,000	6,000
Other	1,659	-	-	-	-	-	1,659
<b>Total boards and committees</b>	<b>246,913</b>	<b>-</b>	<b>140,000</b>	<b>-</b>	<b>(147,702)</b>	<b>195,391</b>	<b>43,820</b>
<b>Undesignated Interest</b>	<b>117,634</b>	<b>-</b>	<b>5,228</b>	<b>-</b>	<b>(122,862)</b>	<b>-</b>	<b>-</b>
<b>Total capital project funds</b>	<b>\$ 1,897,283</b>	<b>247,937</b>	<b>145,228</b>	<b>-</b>	<b>2,276</b>	<b>1,197,231</b>	<b>1,095,493</b>

*See accompanying independent auditors' report.*

## **NONMAJOR PERMANENT FUNDS**

**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**June 30, 2010**

		<b>Cemetery Care</b>	<b>Library Funds</b>	<b>School Scholarship Funds</b>	<b>Benevolent Funds</b>	<b>Totals</b>
<b>ASSETS</b>						
Investments	\$	241,734	190,375	188,927	340,472	961,508
Accounts receivable		-	-	-	117	117
Interfund loans		-	1,199	-	-	1,199
<b>Total assets</b>	<b>\$</b>	<b>241,734</b>	<b>191,574</b>	<b>188,927</b>	<b>340,589</b>	<b>962,824</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$	-	-	500	-	500
Interfund loans		5,363	-	4,000	9,068	18,431
<b>Total liabilities</b>		<b>5,363</b>	<b>-</b>	<b>4,500</b>	<b>9,068</b>	<b>18,931</b>
Fund balances:						
Principal		261,527	173,925	180,133	327,248	942,833
Unexpended income		(25,156)	17,649	4,294	4,273	1,060
<b>Total fund balances</b>		<b>236,371</b>	<b>191,574</b>	<b>184,427</b>	<b>331,521</b>	<b>943,893</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>241,734</b>	<b>191,574</b>	<b>188,927</b>	<b>340,589</b>	<b>962,824</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the year ended June 30, 2010**

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
Revenues:					
Investment income	\$ 6,232	3,283	3,536	6,425	19,476
Realized & unrealized gains (loses) on investments	21,144	15,751	17,143	31,144	85,182
Donations	800	5,546	-	-	6,346
Total revenues	28,176	24,580	20,679	37,569	111,004
Expenditures:					
Current:					
Other miscellaneous	6,662	4,534	5,033	12,396	28,625
Total expenditures	6,662	4,534	5,033	12,396	28,625
Excess (deficiency) of revenues over (under) expenditures	21,514	20,046	15,646	25,173	82,379
Fund balances, beginning of year	214,858	171,528	168,781	306,348	861,514
Fund balances, end of year	\$ 236,371	191,574	184,427	331,521	943,893

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2010**

	Fund Balance (deficit) June 30, 2009	Principal Revenues		Fund Balance (deficit) June 30, 2010	Unexpended Income			Fund Balance (deficit) June 30, 2010	Total June 30, 2010
		Unrealized/ Realized Gains (Losses)	Other		Fund Balance (deficit) June 30, 2009	Interest Income	Expenditures		
Cemetery Care:									
Perpetual Care:									-
Burr	\$ 111,629	9,883	-	121,512	(13,215)	2,906	2,659	(12,968)	108,544
Grove	40,772	3,543	800	45,115	(4,563)	1,055	1,891	(5,399)	39,716
Webster	11,875	1,051	-	12,926	(738)	309	316	(745)	12,181
Woodlawn	17,441	1,544	-	18,985	(2,464)	454	472	(2,482)	16,503
South Freeport	39,896	3,532	-	43,428	(4,199)	1,039	1,059	(4,219)	39,209
Flying Point	6,357	563	-	6,920	(894)	166	169	(897)	6,022
Town maintained	1,961	174	-	2,135	27	51	52	26	2,161
Davis Mausoleum	648	57	-	705	612	17	14	615	1,320
Carrie Thomas	338	30	-	368	133	9	1	141	509
A.O. Woodard	8,667	767	-	9,434	575	226	29	772	10,206
Total Cemetery Funds	239,583	21,144	800	261,527	(24,726)	6,232	6,662	(25,156)	236,371
Library Funds:									
Bartol Association	23,146	2,329	4,816	30,291	2,055	492	74	2,473	32,764
Paul and Emma Bennett	12,210	1,284	-	13,494	1,755	265	2,619	(599)	12,895
Eleanor Brewer	4,777	502	-	5,279	612	104	16	700	5,979
Albert Conley	22,019	2,316	-	24,335	9,620	478	72	10,026	34,361
Grace Ritchie	2,037	35	150	2,222	(699)	27	4	(676)	1,546
Jane Hall	88,439	9,285	580	98,304	5,557	1,917	1,749	5,725	104,029
Total Library Funds	152,628	15,751	5,546	173,925	18,900	3,283	4,534	17,649	191,574
School Scholarship Funds									
Fitts Award	1,902	200	-	2,102	(214)	41	6	(179)	1,922
Salomon Plummer	6,545	688	-	7,233	(1,589)	142	21	(1,468)	5,765
Wallace True	3,801	400	-	4,201	(178)	82	12	(108)	4,094
Millard and Enid Crooker	18,981	1,996	-	20,977	(1,897)	412	62	(1,547)	19,430
Alice Pollock	8,068	849	-	8,917	(32)	175	26	117	9,034
Auldis Foster	1,426	150	-	1,576	(21)	31	5	5	1,581
Kenneth Thompson	5,706	600	-	6,306	210	124	19	315	6,621
Christine Small Cushing	116,560	12,260	-	128,820	9,512	2,529	4,882	7,159	135,979
Total School Scholarship Funds	162,990	17,143	-	180,133	5,791	3,536	5,033	4,294	184,427
Benevolent Funds:									
George Davis	8,253	868	-	9,121	(11)	179	27	141	9,262
Arthur L. Gould	287,851	30,276	-	318,127	10,255	6,246	12,369	4,132	322,259
Total Benevolent Funds	296,104	31,144	-	327,248	10,244	6,425	12,396	4,273	331,521
Total	\$ 851,305	85,182	6,346	942,833	10,209	19,476	28,625	1,060	943,893

*See accompanying independent auditors' report.*



## **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**TOWN OF FREEPORT**  
**Capital Assets Used in the Operation of Governmental Funds by Type**  
**June 30, 2010**

General fixed assets:		
Land	\$	1,489,584
Land improvements		1,570,709
Buildings and improvements		10,055,840
Machinery, equipment and other		4,548,728
Vehicles		3,766,620
Infrastructure		7,331,028
Construction in process		494,543
<b>Total governmental fund capital assets</b>	<b>\$</b>	<b>29,257,052</b>

## Exhibit F-2

**TOWN OF FREEPORT, MAINE**  
**Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity**  
**For the year ended June 30, 2010**

Function and Activity	Balance 2009	Additions	Disposals	School Disposals	Balance 2010
General government	\$ 2,904,946	57,603	-	-	2,962,549
Community services		-	-	-	
Library	3,836,013	-	-	-	3,836,013
Cable TV	325,384	-	-	-	325,384
Coastal waters	313,593	-	-	-	313,593
Community center	2,349,015	-	-	-	2,349,015
Education	22,210,247	-	-	22,210,247	-
Public safety:		-	-	-	
Police	1,091,294	38,982	34,766	-	1,095,510
Fire and Rescue	4,249,967	102,091	21,600	-	4,330,458
Public works		-	-	-	
General	10,981,114	439,713	75,000	-	11,345,827
Solid waste	1,281,216	20,000	20,000	-	1,281,216
Recreation	870,702	-	-	-	870,702
Unclassified:		-	-	-	
Parking lots	203,154	-	-	-	203,154
School lunch	91,368	-	-	91,368	-
Winslow Park	343,631	-	-	-	343,631
	<b>\$ 51,051,644</b>	<b>658,389</b>	<b>151,366</b>	<b>22,301,615</b>	<b>29,257,052</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Schedule of Capital Assets used in the Operation of Governmental Funds - By Function and Activity**  
**June 30, 2010**

Function and Activity	Land	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Construction Work in Process	Total
General government	\$ 710,566	-	1,545,985	601,378	-	-	104,620	2,962,549
Community Services								
Library	110,000	78,405	2,364,305	1,283,303	-	-	-	3,836,013
Cable TV	-	-	-	303,384	22,000	-	-	325,384
Coastal waters	-	19,555	5,000	245,513	43,525	-	-	313,593
Community center	-	28,725	2,293,446	26,844	-	-	-	2,349,015
Public safety:								
Police	3,850	-	598,000	256,313	237,347	-	-	1,095,510
Fire and Rescue	40,000	-	1,289,370	993,057	2,008,031	-	-	4,330,458
Public works								
General	193,768	248,998	1,274,000	535,026	1,373,084	7,331,028	389,923	11,345,827
Solid waste	190,000	399,000	398,000	240,480	53,736	-	-	1,281,216
Recreation	238,400	595,872	-	36,430	-	-	-	870,702
Unclassified:								
Parking lots	3,000	200,154	-	-	-	-	-	203,154
Winslow Park	-	-	287,734	27,000	28,897	-	-	343,631
<b>Total capital assets</b>	<b>\$ 1,489,584</b>	<b>1,570,709</b>	<b>10,055,840</b>	<b>4,548,728</b>	<b>3,766,620</b>	<b>7,331,028</b>	<b>494,543</b>	<b>29,257,052</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Schedule of Depreciation - By Function and Activity**  
**Year Ended June 30, 2010**

<b>Function and Activity</b>	<b>Land Improvements</b>	<b>Building and Improvements</b>	<b>Machinery Equipment and Other</b>	<b>Vehicles</b>	<b>Infrastructure</b>	<b>Total</b>
General government	\$ -	36,109	42,857	-	-	78,966
Community services						
Library	3,270	59,108	48,148	-	-	110,526
Cable TV	-	-	38,583	-	-	38,583
Coastal waters	978	-	2,092	2,902	6,557	12,529
Community center	1,436	57,336	5,369	-	-	64,141
Education	-	-	-	-	-	-
Public safety:						
Police	-	14,950	18,756	29,009	-	62,715
Fire and Rescue	-	33,305	62,082	141,652	-	237,039
Public works						
General	4,980	31,850	34,516	62,125	226,488	359,959
Solid waste	15,960	9,950	10,676	-	-	36,586
Recreation	18,802	-	2,429	-	-	21,231
Unclassified:						
Parking lots	4,801	-	-	-	-	4,801
School lunch	-	-	-	-	-	-
Winslow Park	-	17,849	-	-	-	17,849
<b>Total capital assets</b>	<b>\$ 50,227</b>	<b>260,457</b>	<b>265,508</b>	<b>235,688</b>	<b>233,045</b>	<b>1,044,925</b>

*See accompanying independent auditors' report.*